

**Terrebonne Parish Communications District  
City of Houma, Louisiana**

**Annual Financial Report  
As of and for the  
Year Ended December 31, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/13/05

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, Attorney General, and other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

**Terrebonne Parish Communications District**  
**Houma, Louisiana**  
  
**Annual Financial Report**  
**As of and for the Year Ended December 31, 2004**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Terrebonne Parish Communications District  
City of Houma, Louisiana

We have audited the accompanying basic financial statements of the governmental activities of Terrebonne Parish Communications District (the District), a component unit of the Terrebonne Parish Consolidated Government (the Parish), as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Terrebonne Parish Communications District as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

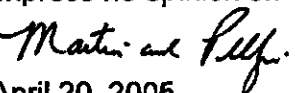
The District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 20, 2005 on our consideration of the Terrebonne Parish Communications District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in

To the Board of Directors  
Terrebonne Parish Communications District  
City of Houma, Louisiana

accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The supplemental information contained on pages 14, 15, and 16 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Terrebonne Parish Communications District. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

  
April 20, 2005

## **FINANCIAL STATEMENTS**

**Terrebonne Parish Communications District**

**Statement of Net Assets  
December 31, 2004**

**Assets**

Current assets	
Cash and cash equivalents	\$ 867,307
Receivables	183,546
Prepaid expenses	<u>39,918</u>
Total current assets	1,090,771
Capital assets, net	<u>491,490</u>
Total assets	<u><u>\$ 1,582,261</u></u>

**Liabilities**

Current liabilities	
Accounts payable and accrued expenses	\$ 48,677
Certificates of indebtedness payable within one year	<u>35,000</u>
Total current liabilities	<u>83,677</u>
Long-term liabilities	
Compensated absences payable	35,241
Certificates of indebtedness payable after one year	<u>150,000</u>
Total long-term liabilities	<u>185,241</u>
Total liabilities	<u>268,918</u>

**Net Assets**

Net assets	
Invested in capital assets, net of related debt	306,490
Unrestricted	<u>1,006,853</u>
Total net assets	<u>1,313,343</u>
Total liabilities and net assets	<u><u>\$ 1,582,261</u></u>

See notes to financial statements.

**Terrebonne Parish Communications District**

**Statement of Revenues, Expenses,  
and Change in Net Assets  
For the Year Ended December 31, 2004**

<b>Operating revenues</b>	
Charges for services	\$ 1,188,186
Other operating revenues	<u>7,576</u>
Total operating revenues	<u>1,195,762</u>
<b>Operating expenses</b>	
Personal services	676,675
Other services and charges	320,010
Depreciation	165,241
Supplies and materials	16,475
Repairs and maintenance	<u>13,171</u>
Total expenses	<u>1,191,572</u>
Operating income	<u>4,190</u>
<b>Non-operating revenues (expenses)</b>	
Interest income	9,968
Interest expense	<u>(11,258)</u>
Total non-operating revenues (expenses)	<u>(1,290)</u>
Change in net assets	2,900
<b>Net assets</b>	
Beginning of year	<u>1,310,443</u>
End of year	<u><u>\$ 1,313,343</u></u>

See notes to financial statements.

**Terrebonne Parish Communications District**

**Statement of Cash Flows**  
**For the Year Ended December 31, 2004**

**Cash flows from operating activities:**

Cash received from customers	\$ 1,177,117
Cash received from other sources	7,576
Cash payments to employees for services and benefits	(670,741)
Cash payments to suppliers for goods and services	(356,537)
Net cash provided by operating activities	<u>157,415</u>

**Cash flows from capital and related financing activities:**

Acquisition and construction of capital assets	(48,006)
Principal paid on outstanding debt	(30,000)
Interest paid on outstanding debt	(11,258)
Net cash used in capital and related financing activities	<u>(89,264)</u>

**Cash flows provided by investing activities:**

Interest received	<u>9,968</u>
Net increase in cash and cash equivalents	78,119

**Cash and cash equivalents**

Beginning of year	<u>789,188</u>
End of year	<u><u>\$ 867,307</u></u>

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	<u>\$ 4,190</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	165,241
Increase in assets:	
Receivables	(11,070)
Prepaid expenses	(5,565)
Increase in liabilities:	
Accounts payable and accrued expenses	<u>4,619</u>
Total adjustments	<u>153,225</u>
Net cash provided by operating activities	<u><u>\$ 157,415</u></u>

See notes to financial statements.



## **Terrebonne Parish Communications District**

### **Notes to Financial Statements For the Year Ended December 31, 2004**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Terrebonne Parish Communications District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies:

##### **A. REPORTING ENTITY**

The District assesses a fixed monthly service charge to customers of local telephone and wireless communication companies providing service in Terrebonne Parish. The companies collect the charge then remit those collections to the District. The District uses this service charge to run an emergency 911 system.

The District is a component unit of Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2004. The District has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

##### **B. METHOD OF ACCOUNTING**

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Terrebonne Parish Communications District**

**Notes to Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Unrestricted net assets** – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The basic financial statements of the District are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**C. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**D. CASH AND CASH EQUIVALENTS**

For purposes of the Statement of Cash Flows, the District considers cash and cash equivalents to include amounts in checking accounts, investments with maturities of three months or less when purchased, and the Louisiana Asset Management Pool (LAMP).

LAMP is an external pool which is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met.

**E. ACCOUNTS RECEIVABLE**

The basic financial statements for the District contain no allowance for uncollectible accounts receivable. It is the opinion of management that receivables as of December 31, 2004 are collectible and possible bad debt losses are immaterial.

**F. CAPITAL ASSETS**

Capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extends its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

## **Terrebonne Parish Communications District**

### **Notes to Financial Statements For the Year Ended December 31, 2004**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Depreciation of all capital assets, excluding land, is calculated over the estimated useful lives using the straight-line method as follows:

Buildings	20 - 40 years
Equipment	5 - 20 years

#### **G. ACCUMULATED VACATION AND SICK LEAVE**

Employees of the District can earn twelve or seventeen days per year vacation leave, depending on their length of employment.

All employees are required to take vacation within one year of being earned. Any unused vacation remaining on the employee's anniversary date will be transferred to sick leave. In the event the employee is terminated or resigns, all vacation leave not transferred to sick leave will be paid to them.

Employees of the District earn seven days sick leave per year. Upon official retirement from the Parochial Retirement System, the retiring employee will be allowed to receive half of whatever accumulated sick leave time has accrued, up to a maximum of 30 days, by leaving work early and remaining on the payroll until the 30 days are exhausted.

The liability for vacation and sick leave is recorded as a long-term liability in the financial statements.

#### **H. REVENUES AND EXPENSES**

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to restricted assets to the extent such are available and then to unrestricted net assets. As of December 31, 2004, the District had no restricted assets.

## **Terrebonne Parish Communications District**

### **Notes to Financial Statements For the Year Ended December 31, 2004**

#### **NOTE 2 – DEPOSITS AND INVESTMENTS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of any bank domiciled or having a branch in the state of Louisiana or any other federally insured investment.

##### **Bank Deposits:**

State law requires that deposits (cash) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivisions.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agents but not in the district's name and deposits which are uninsured or uncollateralized.

The year-end bank balance of deposits is as follows:

	Bank	Category		
	Balance	1	2	3
Cash and cash equivalents	\$ 58,427	\$ 58,427	\$ -	\$ -

As of December 31, 2004, cash was not in excess of FDIC insurance.

##### **Investments:**

State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper rated AAA 1, 2 or 3; repurchase agreements; and the Louisiana Asset Management Pool.

**Terrebonne Parish Communications District**

**Notes to Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Cont.)**

The year-end balance of investments is as follows:

	<u>Reported Amount</u>
Louisiana Asset Management Pool (LAMP)	<u>\$ 851,157</u>

Investments held as of December 31, 2004 consist of \$851,157 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP as of December 31, 2004 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**Terrebonne Parish Communications District**

**Notes to Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Cont.)**

A reconciliation of deposits and investments as shown on the Statement of Net Assets is as follows:

Reported amount of deposits	\$ 16,150
Reported amount of investments	<u>851,157</u>
Total	<u>\$ 867,307</u>

**NOTE 3 – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

	January 1, 2004	Additions	Deletions	December 31, 2004
Construction in progress	\$ 2,842	\$ -	\$ -	\$ 2,842
Buildings	327,568	-	-	327,568
Equipment	<u>1,326,264</u>	<u>61,993</u>	<u>(32,781)</u>	<u>1,355,476</u>
Total capital assets	<u>1,656,674</u>	<u>61,993</u>	<u>(32,781)</u>	<u>1,685,886</u>
Less accumulated depreciation for:				
Buildings	(38,383)	(8,513)	-	(46,896)
Equipment	<u>(1,009,565)</u>	<u>(156,728)</u>	<u>18,793</u>	<u>(1,147,500)</u>
Total accumulated depreciation	<u>(1,047,948)</u>	<u>(165,241)</u>	<u>18,793</u>	<u>(1,194,396)</u>
Total capital assets, net	<u>\$ 608,726</u>	<u>\$ (103,248)</u>	<u>\$ (13,988)</u>	<u>\$ 491,490</u>

**NOTE 4 – LONG-TERM LIABILITIES**

Long-term liabilities consist of compensated absences payable for accumulated unpaid vacation and sick leave and certificates of indebtedness.

As of December 31, 2004, the District had outstanding certificates of indebtedness totaling \$185,000. The certificates bear interest at 5.23% and are payable through November 1, 2009. The certificates are secured by a pledge and dedication of the excess of annual revenues above statutory, necessary and usual charges in each of the fiscal years during which the certificates are outstanding.

**Terrebonne Parish Communications District**

Notes to Financial Statements  
For the Year Ended December 31, 2004

**NOTE 4 – LONG-TERM LIABILITIES (Cont.)**

The following is a summary of changes in long-term liabilities of the District for the year ended December 31, 2004:

	<u>Compensated Absences</u>	<u>Certificate of Indebtedness</u>
Payable as of January 1, 2004	\$ 32,264	\$ 215,000
Increase in accumulated unpaid vacation and sick leave	2,977	-
Debt retired	<u>-</u>	<u>(30,000)</u>
Payable as of December 31, 2004	<u>\$ 35,241</u>	<u>\$ 185,000</u>

The requirements to amortize certificates of indebtedness outstanding as of December 31, 2004 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 35,000	\$ 9,676	\$ 44,676
2006	35,000	7,845	42,845
2007	35,000	6,014	41,014
2008	40,000	4,184	44,184
2009	<u>40,000</u>	<u>2,092</u>	<u>42,092</u>
Totals	<u>\$ 185,000</u>	<u>\$ 29,811</u>	<u>\$ 214,811</u>

Compensated absences are described in Note 1G.

**NOTE 5 – COMMITMENT**

The Federal Communications Commission (FCC) and the Louisiana State Legislature have issued rulings and statutes requiring wireless telecommunication providers to provide the number and location of the caller to the communications district when a caller accesses 911. State statutes require the caller location service to be operating within one year of collecting a consumer fee for the service.

The District implemented the rulings and has begun collecting the service charge effective January 1, 2001. Proceeds from the consumer service charge, \$581,126 for the year ended December 31, 2004, shall be used for the payment of service provider and district costs associated with system implementation. However, the district shall not make payments to service providers unless there is a cooperative endeavor agreement between the District and the provider delimiting the cost of implementation. The District has completed cooperative endeavor agreements with five providers and is in the process of negotiating an agreement with the remaining provider.

**Terrebonne Parish Communications District**

**Notes to Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 6 – DEFINED BENEFIT PENSION PLAN**

**Plan Description** –The Board of Directors of the Terrebonne Parish Communication District has established a voluntary retirement savings program. This program is established under Section 457 of the Internal Revenue Code. An employee may elect to voluntarily set aside income from his or her payroll check on a pre-tax basis. The funds in this account accumulate on a tax-deferred basis and are taxed at withdrawal, usually at retirement or under financial hardship provisions.

**Funding Policy** – The District makes contributions on the Employee's behalf based on the following formula: 3% for all full-time employees that have completed their probationary period and five years of consecutive full-time employment with an additional 1% added (4% total) for all full-time employees with seven years of consecutive full-time employment and an additional 1% added (5% total) for all full-time employees with ten years of consecutive full-time employment.

The District's contributions to the Plan for the year ending December 31, 2004 totaled \$11,197.

**NOTE 7 – COMPENSATION OF BOARD MEMBERS**

No compensation was paid to Board Members for the year ended December 31, 2004.



## **SUPPLEMENTARY INFORMATION SECTION**

**Terrebonne Parish Communications District**  
**Status of Phase One Implementation of**  
**Wireless E911 Service**  
**For the Year Ended December 31, 2004**

The Louisiana State Legislature has enacted Act 1029 (the Act), to amend and reenact Louisiana Revised Statutes 33:9101, 9102, 9103, 9105, 9106, and 9109 relative to communication districts. The Act, effective January 1, 2000, authorizes Louisiana Communication Districts to establish, by resolution of the Board of Directors, the ability to collect an emergency telephone service charge in the amount of \$0.85 per wireless user per month levied on wireless users of Commercial Mobile Radio Service (CMRS) who can access the 911 emergency telephone number system. Phase One requires CMRS carriers to implement locational services and have the capability to assign wireless calls usable numbers for callback and forwarding uninterrupted calls.

The purpose of the Act is to provide a funding mechanism to cover the costs of implementing enhancements to the emergency 911 telephone system for cellular and other wireless telephone users as provided by the Federal Communications Commission in Matter #94-102. Enhancements will automatically provide the wireless telephone number and wireless tower location of the wireless caller to the District when a caller accesses the 911 system. Although these enhancements currently exist for persons dialing from "landline telephones," certain technological enhancements must be made in order to provide this information from wireless devices. The districts are required to negotiate and enter into a cooperative endeavor agreement provided for by the Act with each CMRS carrier to ensure that the service charge is collected, remitted and the service enhancements are implemented. For any district having a population of not less than 30,000 persons as of the most recent federal decennial census, the enhancements shall be completed by the District and all of the CMRS carriers providing service within the district within one year of the initial levy of the service charge. Proceeds received shall be used for payment of CMRS carrier and district costs associated with the implementation of Phase One. Any funds collected in excess of those necessary to pay costs of such enhancements may be expended for any lawful purpose of the District.

The Terrebonne Parish Communications District (the District) notified each CMRS carrier by certified letter of the adoption by the Board of Directors of Resolution No. 090299-A which levied an emergency telephone service charge of \$0.85 per month per wireless CMRS connection as of January 1, 2000. The District then sent a letter to each CMRS carrier *concerning signing a cooperative endeavor agreement*. Due to the various wireless provider corporate purchases, mergers, and other business activities, two of the CMRS carriers in the District have assumed under existing agreements. As of December 31, 2004, the District has completed cooperative endeavor agreements with five CMRS carriers, out of the total six. The District is in negotiations with the remaining CMRS carrier.

The CMRS carriers have been remitting the wireless E911 service charges collected from the CMRS connections (customers) beginning January 1, 2000. Remittance for service charges has begun for the five CMRS carriers that have signed cooperative endeavor agreements with the District. The remaining CMRS carrier that has not agreed on a cooperative endeavor agreement has not been paid any service charges by the District because no district shall make payment of CMRS carrier costs associated with the implementation of Phase One

**Terrebonne Parish Communications District**  
**Status of Phase One Implementation of**  
**Wireless E911 Service**  
**For the Year Ended December 31, 2004**

enhancements required by such an order unless there is a cooperative endeavor agreement between the District and the CMRS carrier delimiting the cost of the implementation to be recovered.

The District, as well as Communications Districts state-wide, has had problems implementing Phase One in prior years. During the year ended December 31, 2004, the District has been successful due to numerous corporate mergers and CMRS carriers that have established recurring costs with justification; however, one carrier has yet to enter into a cooperative endeavor agreement. Although the District has encountered problems concerning Phase One implementation, wireless users have maintained access through the CMRS carriers to the 911 system.

The District intends to recover the costs of additional staff hired to handle additional call volume with the wireless revenues as well as recover other costs related to the new wireless requirements. Other wireless costs include the service charge that will be assessed by the CMRS carriers based on the cost of updating their technology to implement the enhancement phase. The remittance of these costs depends on the signing of the cooperative endeavor agreements. The schedule of wireless revenues and use of wireless revenues can be found on page 16.

**Terrebonne Parish Communications District**  
**Schedule of Revenues Derived from the Wireless E911**  
**Service Charge and the Use of Such Revenues**  
**For the Year Ended December 31, 2004**

(Unaudited)

	<u>Wireless</u>
<b>Operating revenues</b>	
Charges for services	<u>\$ 581,126</u>
<b>Operating expenses</b>	
Personal services	365,405
Other services and charges	209,456
Depreciation	89,230
Supplies and materials	8,897
Repairs and maintenance	<u>7,112</u>
Total operating expenses	<u>680,100</u>
Operating loss	<u><u>\$ (98,974)</u></u>

**Note:** Allocation of wireless operating expenses was determined by applying the percentage of wireless calls to total calls to the operating expenses described in the Statement of Revenues, Expenses, and Change in Net Assets. Revenues from charges for services are based on actual reported revenues for wireless services. The number of total calls and wireless calls was furnished to us by the District's management.

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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and  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Terrebonne Parish Communications District  
City of Houma, Louisiana

We have audited the basic financial statements of the Terrebonne Parish Communications District (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2004, and have issued our report thereon dated April 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the Schedule of Findings and Questioned Costs as item 04-01.

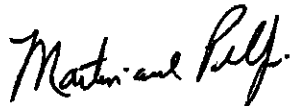
**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 04-02.

Board of Directors  
Terrebonne Parish Communications District  
City of Houma, Louisiana

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Directors, management, the State of Louisiana and the Louisiana Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



April 20, 2005

**Terrebonne Parish Communications District**  
**Schedule of Findings and Questioned Costs**  
**As of and for the Year Ended December 31, 2004**

**Section I – Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Terrebonne Parish Communications District.
2. One reportable condition was noted during the audit of the basic financial statements. This reportable condition was not considered a material weakness.
3. One instance of noncompliance material to the financial statements of the Terrebonne Parish Communications District, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. A management letter was not issued.

**Section II – Financial Statement Findings**

**04-01**

Criteria: The Federal Communications Commission (FCC) via FCC Matter 94-102, enacted in July 1996, set distinct requirements for making wireless 911 more compatible with existing 911 wireline systems and stipulates the necessity for the establishment of a cost recovery mechanism for both wireless service suppliers and 911 districts. The Louisiana State Legislature enacted Act 1029 to address the issue of a cost recovery mechanism for Phase One of the FCC order, and was made effective January 1, 2000 as amendments and reenactments to Louisiana Revised Statutes 33:9101, 9102, 9103, 9105, 9106, and 9109. The Act authorizes Louisiana Communication Districts to establish, by resolution of the Board of Directors or Ordinance of the Parish's governing authority, the amount of \$0.85 per wireless user per month to be collected and remitted to the appropriate district for said purpose. Proceeds shall be used first for payment of wireless service suppliers and district costs associated with the implementation of enhancements required in Phase One. Any funds collected in excess of those necessary to pay costs of such enhancements may be expended for any lawful purpose of the District. Phase One requires implementing enhancements that will automatically provide the number and location of the wireless caller to the communications district when a caller accesses 911. The District will be required to pay a one-time non-recurring fee per subscriber at a rate specified by the service supplier. A monthly recurring charge will be paid to the service supplier by the District to help cover the service supplier's enhancement costs at a specified rate per subscriber. The service suppliers will not be able to receive the monthly recurring charges until a cooperative endeavor agreement has been signed. For any district having a population of not less than 30,000 persons as of the most recent federal decennial census, the enhancements shall be completed by the District and all of the wireless service suppliers within one year of the initial levy of the service charge.



**Terrebonne Parish Communications District**  
**Schedule of Findings and Questioned Costs**  
**As of and for the Year Ended December 31, 2004**

**Section II – Financial Statement Findings (Cont.)**

**Condition:** During the audit, it was noted that as of December 31, 2004 there were five signed cooperative endeavor agreements out of a total of six service suppliers. The District is still in negotiations with the other service supplier. Phase One was not complete within the first year of the initial levy of the service charge. The service supplier has not received any service charge payments by the District because no district shall make payment of a service suppliers costs associated with the implementation of Phase One enhancements required by such an order unless there is a cooperative endeavor agreement between the District and the supplier delimiting the cost of the implementation to be recovered. Although the service supplier has not yet provided Phase One information to the District, wireless users have maintained access to the 911 system.

**Cause and Effects of Condition:** The District notified each service supplier by certified letter of the adoption by the Board of Directors of Resolution No. 090299-A which levied an emergency telephone service charge of \$0.85 per month per wireless service subscriber. In compliance with the Act, the District also sent a letter to the final service supplier concerning signing a cooperative endeavor agreement. Such service supplier has not signed an agreement.

**Recommendation:** The District needs to seek a timely lawful resolution to implementing Phase One of FCC Matter 94-102 and Louisiana State Legislative Act 1029.

**Section III – Internal Control Findings**

**04-02**

**Criteria:** In our consideration of internal control, we noted that the size of the Terrebonne Parish Communications District's operations and its limited accounting staff preclude an adequate system of internal control.

**Effects of Condition:** The internal control, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Cause of Conditions:** The size of the Terrebonne Parish Communications District and its limited accounting staff preclude and adequate segregation of duties and other features of an adequate system of internal control.

**Recommendation:** The Board of Directors of the Terrebonne Parish Communications District should closely monitor the day-to-day activities of the Organization.

**Terrebonne Parish Communications District**  
**Schedule of Findings and Questioned Costs**  
**As of and for the Year Ended December 31, 2004**

**Section III – Internal Control Findings (Cont.)**

Response: The management of the Terrebonne Parish Communications District agrees with this finding.

Questioned Costs: \$ -0-

**Section IV – Findings and Questioned Costs – Major Federal Award Program Audit**

This section is not applicable.

**Terrebonne Parish Communications District**  
**Management's Corrective Action Plan for Current Year Findings**  
**As of and for the Year Ended December 31, 2004**

**Section I – Internal Control and Compliance Material to the Financial Statements**

**Compliance**

Condition: Phase One was not complete within the first year of the initial levy of the service charge.

Recommendation: The District needs to seek a timely lawful resolution to implementing Phase One of FCC Matter 94-102 and Louisiana State Legislative Act 1029.

Planned Action: The District has begun to remit the necessary service charges to the service suppliers that have signed cooperative agreements and is currently in negotiations with the final service supplier.

**Inadequate Internal Control**

Condition: *A reportable condition in the internal control related to lack of segregation of duties.*

Recommendation: The Board of Directors of the Terrebonne Parish Communications District should closely monitor the day-to-day activities of the District.

Planned Action: The Board of Directors will closely monitor the day-to-day activities of the Organization until it is financially feasible to employ additional staff.

**Section II – Internal Control and Compliance Material to Federal Awards**

This section is not applicable.

**Section III – Management Letter**

This section is not applicable.

**Terrebonne Parish Communications District**  
**Schedule of Prior Findings and Resolution Matters**  
**As of and for the Year Ended December 31, 2004**

Note: All prior findings relate to the December 31, 2003 audit engagement.

**Section I – Internal Control and Compliance Material to the Financial Statements**

No material weaknesses or reportable conditions were reported during the audit for the year ended December 31, 2003.

**Compliance**

**Criteria:** The Federal Communications Commission (FCC) via FCC Matter 94-102, enacted in July 1996, set distinct requirements for making wireless 911 more compatible with existing 911 wireline systems and stipulates the necessity for the establishment of a cost recovery mechanism for both wireless service suppliers and 911 districts. The Louisiana State Legislature enacted Act 1029 to address the issue of a cost recovery mechanism for Phase One of the FCC order, and was made effective January 1, 2000 as amendments and reenactments to Louisiana Revised Statutes 33:9101, 9102, 9103, 9105, 9106, and 9109. The Act authorizes Louisiana Communication Districts to establish, by resolution of the Board of Directors or Ordinance of the Parish's governing authority, the amount of \$0.85 per wireless user per month to be collected and remitted to the appropriate district for said purpose. Proceeds shall be used first for payment of wireless service suppliers and district costs associated with the implementation of enhancements required in Phase One. Any funds collected in excess of those necessary to pay costs of such enhancements may be expended for any lawful purpose of the District. Phase One requires implementing enhancements that will automatically provide the number and location of the wireless caller to the communications district when a caller accesses 911. The District will be required to pay a one-time non-recurring fee per subscriber at a rate specified by the service supplier. A monthly recurring charge will be paid to the service supplier by the District to help cover the service supplier's enhancement costs at a specified rate per subscriber. The service suppliers will not be able to receive the monthly recurring charges until a cooperative endeavor agreement has been signed. For any district having a population of not less than 30,000 persons as of the most recent federal decennial census, the enhancements shall be completed by the District and all of the wireless service suppliers within one year of the initial levy of the service charge.

**Condition:** During the audit, it was noted that as of December 31, 2003 there were three signed cooperative endeavor agreements out of a total of six service suppliers. The District is still in negotiations with the other service suppliers. Phase One was not complete within the first year of the initial levy of the service charge. The service suppliers have not received any service charge payments by the District because no district shall make payment of a service suppliers cost associated with the implementation of Phase One enhancements required by such an order unless there is a cooperative endeavor agreement between the District and the supplier delimiting the cost of the implementation to be recovered. Although the service suppliers have not yet provided Phase One information to the District, wireless users have maintained access to the 911 system.

**Terrebonne Parish Communications District  
Schedule of Prior Findings and Resolution Matters  
As of and for the Year Ended December 31, 2004**

**Section I – Internal Control and Compliance Material to the Financial Statements (Cont.)**

**Cause and Effects of Condition:** The District notified each service supplier by certified letter of the adoption by the Board of Directors of Resolution No. 090299-A which levied an emergency telephone service charge of \$0.85 per month per wireless service subscriber. In compliance with the Act, the District also sent a letter to each service supplier concerning signing a cooperative endeavor agreement. Three of the service suppliers have not signed an agreement.

**Recommendation:** The District needs to seek a timely lawful resolution to implementing Phase One of FCC Matter 94-102 and Louisiana State Legislative Act 1029.

**Status:** Partially resolved. The District has begun to remit the necessary service charges to the service suppliers that have signed cooperative agreements; however, Phase One is not complete as one service supplier has not yet signed a cooperative endeavor agreement.

**Inadequate Internal Control**

**Condition:** A reportable condition in the internal control related to lack of segregation of duties.

**Recommendation:** The Board of Directors of the District should closely monitor the day-to-day activities of the District and implement other control procedures until the agency has grown to the point where it is cost beneficial to employ an adequate system of internal controls.

**Planned Action:** The Board of Directors will closely monitor the day-to-day activities of the District until it is financially feasible to employ additional staff.

**Status:** The District has implemented the recommendation, but the lack of segregation of duties continues to exist. As such, the Board will continue to perform the recommendation.

**Section II – Internal Control and Compliance Material to Federal Awards**

Not applicable.

**Section III – Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2003.